



# BRIEFING TO THE PORTFOLIO COMMITTEE ON AGRICULTURE, FORESTRY AND FISHERIES

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Financial and Fiscal Commission

08 October 2019

*For an Equitable Sharing of National Revenue*

# PRESENTATION OUTLINE

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1. Introduction to the Financial and Fiscal Commission
2. Part 2: Agriculture, Forestry and Fisheries and Land Reform and Rural Development
  - 2.1 Agriculture, Forestry and Fisheries
    - 2.1.1 Evolution of Agriculture and Contribution to Economy
    - 2.1.2 Departmental APP and MTEF Analysis
    - 2.1.3 Concluding Remarks and Issues for Consideration
  - 2.2 Land Reform and Rural Development
    - 2.2.1 Overview of Land Restitution and Distribution
    - 2.2.2 Departmental APP and MTEF Analysis
    - 2.2.3 Concluding Remarks and Issues for Consideration
3. Past FFC Recommendations on Agriculture and Rural Development

# ROLE AND FUNCTION OF THE FFC

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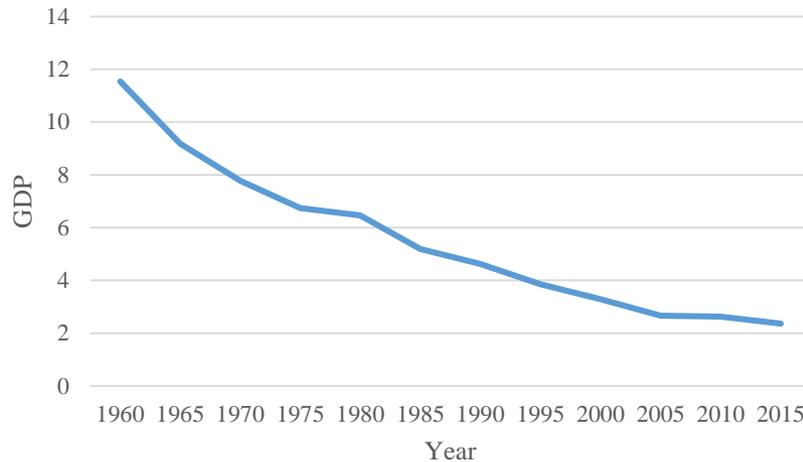
- The Financial and Fiscal Commission (FFC)
  - Is an independent, permanent, statutory institution established in terms of Section 220 of Constitution
  - Must function in terms of the FFC Act
- Mandate of Commission
  - To make recommendations, envisaged in Chapter 13 of the Constitution or in national legislation to Parliament, Provincial Legislatures, and any other organ of state determined by national legislation
- The Commission's focus is primarily on the equitable division of nationally collected revenue among the three spheres of government and any other financial and fiscal matters
  - Legislative provisions or executive decisions that affect either provincial or local government from a financial and/or fiscal perspective
  - Includes regulations associated with legislation that may amend or extend such legislation
  - Commission must be consulted in terms of the FFC Act



## 2.1.1 Agriculture, Forestry and Fisheries in the Context of the Broader Economy

# BACKGROUND

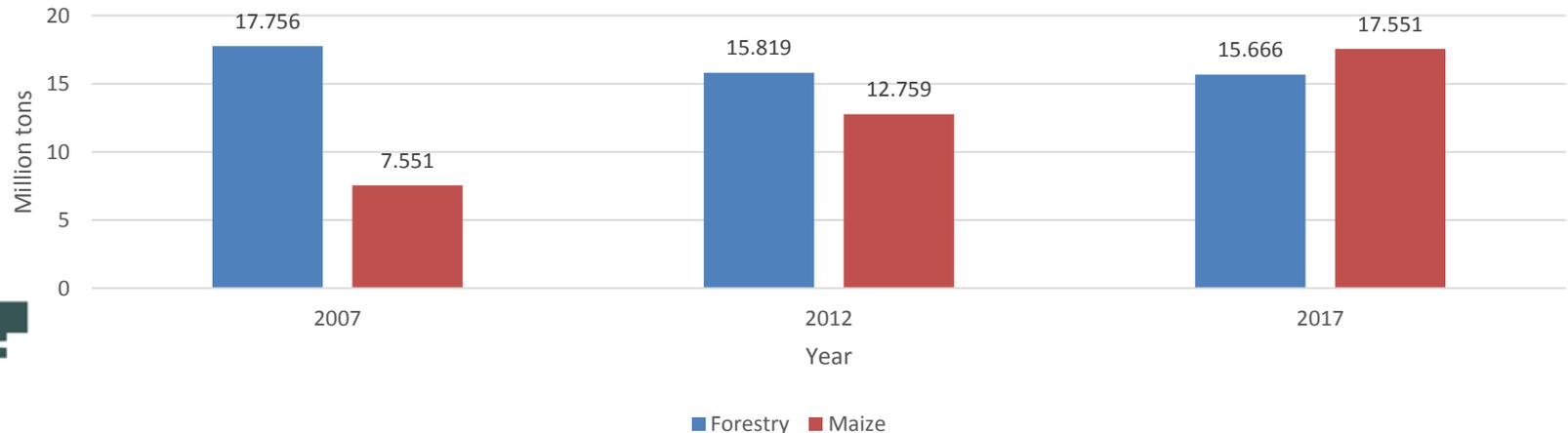
- Contribution of the sector to the GDP has been on a decline since 1960's



- Slight improvement from 2.37% to 2.40% between 2016 and 2017
- A year on year decline of 4.8% in agricultural contribution to the GDP has been reported for 2018 – driven mainly by declining production in field crops and horticultural products

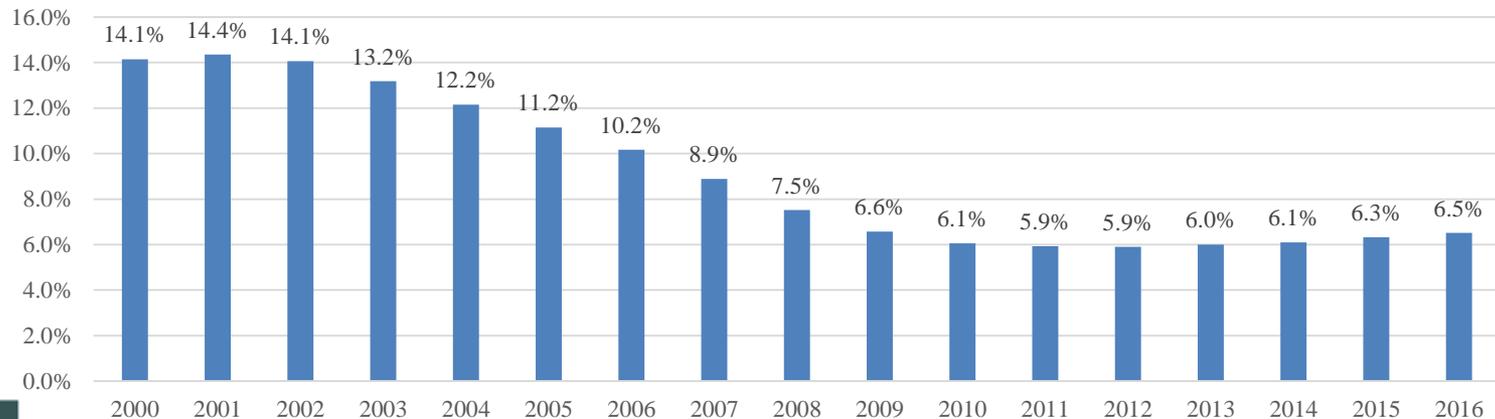
# BACKGROUND

- Fisheries contributes roughly 0.1% to GDP but plays a significant role particularly in the Western Cape ( more than 5% to Gross Provincial Domestic Product)
  - It remains one of the strategic sectors for the government: ocean economy
- Forestry contributes about 0.7% to the GDP and only about 1% (1 212 383 ha) of the land is utilised for forestry in SA (Forestry South Africa) - 494 004 ha and 484 297 ha are in Mpumalanga and in the KZN respectively
- Production on forestry has been declining over the years



# AGRICULTURAL EMPLOYMENT

- There has been consistent decline in agricultural employment over the years from just over 14% to 6.5% between 2000 and 2016 respectively, with a slight and steady improvement since 2012
  - Data from the World Bank also showed a further decline in 2017 and 2018 from 5.2% to 5.1%
  - Compared to the fourth quarter of 2017 with that of 2018, the sector remains constant with 849 000 jobs

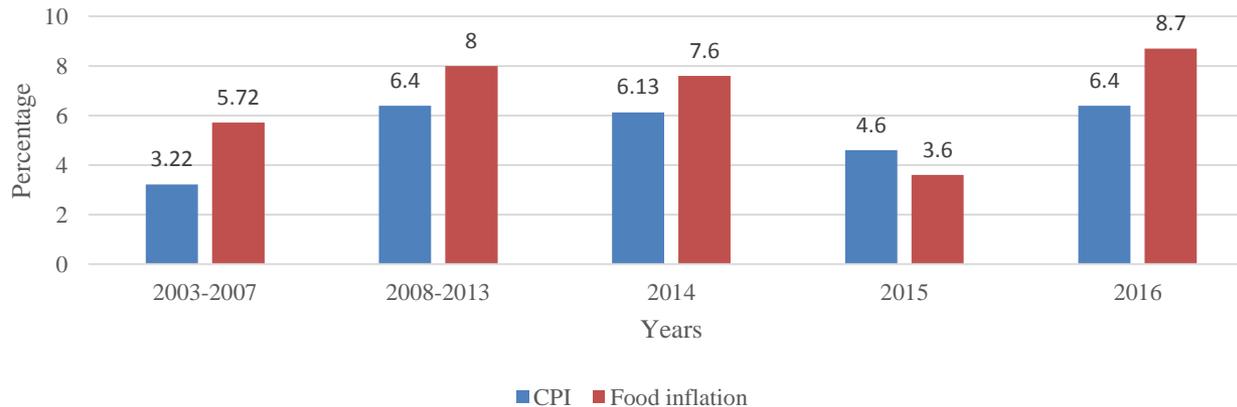


# IMPORTANCE OF AGRICULTURAL IN THE ECONOMY

- Despite its small and declining contribution to the economy, the sector is still important due to a number of reasons
  - Large linkages with rest of the economy
  - Its contribution to exports
  - Employment –particularly the sector employs relatively unskilled labour
  - Its contribution to food security and nutrition
- However the sector is impacted heavily by a number of issues including
  - Climate change – drought and floods
  - Technological advancement – affecting labour absorption
  - Rising input costs which includes fuel and electricity costs
  - International standards and regulations and breakout of animal diseases such as avian flue

# FOOD PRICES

## CPI AND FOOD INFLATION INCREASE, 2003-2016



SOURCE: STATSSA

- Declining agricultural production and increasing input costs (including fuel prices) among other things contribute to agricultural food inflation
  - Food inflation remained higher than CPI over the period with an exception of 2015
  - In 2016, food inflation remains higher than CPI and this could be attributed to drought experienced in late 2015 and early 2016

# FOOD PRICES

- Data from STATSSA indicates that annual food inflation reached its highest level in 18 months in August 2019 – 3.8%
  - In the main driven by bread and cereal prices which increased by 8,6% in August 2019 compared to August 2018
  - Other agricultural products that have contributed significantly to food inflation include mealie meal (Super maize meal increased by 17,7% and Special maize meal increased by 27,5% over the same period
    - Oil-based food items (such as cooking oil and margarine) – annual inflation currently at 4,4%
    - Fish: Annual inflation was 7,5% in August, up from 6,4% in July and 6,0% in June, while tinned fish (excluding tuna) is 8,7% more expensive than it was a year ago



## 2.1.2. DEPARTMENTAL APP AND MTEF ANALYSIS

# DEPARTMENTAL APP

- The department's 2018/19 Annual Performance Plan (APP) is premised on the 5 year strategic plan with emphasis on:
  - Ensuring food security for all
    - Through implementation of Fetsa Tlala programme aimed to assist vulnerable households and smallholder producers to produce their own food
    - Through Ilima/Letsema households are expected to benefit from food production initiatives which include provision of inputs such as fertilisers, seed, seedlings, breeding animals and machinery
    - Through CASP aims to provide support to subsistence, smallholder and black commercial producers for the production of grains, livestock, horticulture and aquaculture areas
  - Job creation – through facilitation increasing support to increase exports to the African continent, China and the world at large and through the LandCare programme aims to promote sustainable land and soil management practices, prevent land degradation and desertification in rural areas
  - Increasing contribution of the sector to the GDP – through focussing on promoting agro-processing, market access and trade

# DEPARTMENTAL APP

- Selected planned and actual targets 2018/19

| Province     | Conditional grant | Target  | Delivery | Percentage delivered              |
|--------------|-------------------|---|----------|-----------------------------------|
| Eastern Cape | CASP              | 848 Subsistence farmers supported                 | 392      | 46%                               |
|              |                   | 1 438 Smallholder farmers supported               | 620      | 43%                               |
|              | Ilima/Letsema     | 55 937 ha of maize planted                        | 20 946   | 37%                               |
|              |                   | 45 black commercial farmers supported             | 14       | 31%                               |
|              | LandCare          | 8 906 ha of rangeland protected and rehabilitated | 9 909    | 111%                              |
|              |                   | Free State  | CASP     | 100 Subsistence farmers supported |
|              |                   | 125 Smallholder supported                         | 263      | 210%                              |
|              | Ilima/Letsema     | 2 189 ha planted                                  | 2 273    | 105%                              |
|              | LandCare          | 1 454 ha of rangeland protected and rehabilitated | 1 248    | 86%                               |

# DEPARTMENTAL APP

- Low economic growth has a negative effect on the attainment of departmental Annual Performance Plans and this exacerbated by drought which has resulted in decreasing agricultural production in 2018/19
  - Slowdown in the production of field crops and horticultural products - affecting prices and food security and the contribution of the sector to GDP
- Key to the attainment of departmental's Annual Performance Plans is the utilisation and performance of key conditional grants (CASP, LandCare and Ilima/Letsema) which did not perform well in 2018/19
- While there were some job created, a number of jobs were also lost in 2018/19

# SPENDING AND MTEF BUDGET BY PROGRAMMES

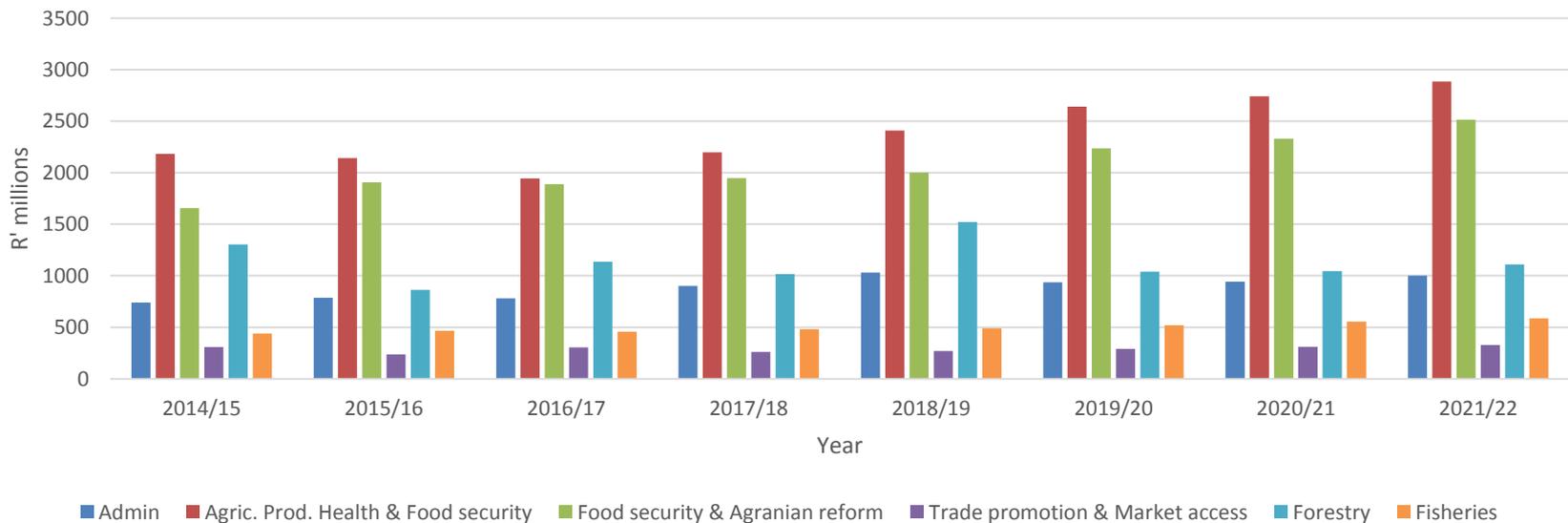
In 2019/20, the DAFF is allocated a budget of R7.6 billion which increases to R8.4 billion in 2021/22

- Over the 2019 MTEF – there has been an average annual growth of 2.9%
  - With food security and Agrarian Reform programme increasing at an annual average of 6.9%, while forestry having a negative average annual growth of 11%
  - Both priority programmes: Agricultural Production, Health and Food Security as well as Food Security and Agrarian Reform are the fastest growing programmes at 6.9% and 7.3% respectively over the MTEF

| Rmil  | 2017/18        |                |                            | 2018/19             |                |                            | 2019/20        | 2020/21        | 2021/22        | Average annual budget growth rate 2015/16-2018/19) | Average annual growth rate 2018/19-2021/22) |
|---|----------------|----------------|----------------------------|---------------------|----------------|----------------------------|----------------|----------------|----------------|--|---|
|   | Budget         | Expenditure    | Over/under-expenditure (%) | Final appropriation | Expenditure    | Over/under-expenditure (%) | MTEF           |                |                |  |   |
| Administration                                  | 920.5          | 828.0          | 89.95%                     | 1 038.8             | 1 030.0        | 99.15%                     | 935.7          | 942.4          | 1 001.1        | 8.8%   | 1.7%  |
| Agricultural Production, Health and Food Safety | 2 249.5        | 2 230.7        | 99.16%                     | 2 408.9             | 2 377.7        | 98.70%                     | 2 642.5        | 2 741.2        | 2 885.2        | 3.3%   | 6.9%  |
| Food Security and Agrarian Reform               | 1 928.6        | 1 925.6        | 99.84%                     | 2 001.8             | 1 992.1        | 99.51%                     | 2 237.0        | 2 331.7        | 2 515.7        | 52.0%  | 7.3%  |
| Trade Promotion and Market Access               | 279.9          | 287.7          | 102.86%                    | 270.6               | 266.1          | 98.34%                     | 290.9          | 309.1          | 327.4          | 5.4%   | 6.1%  |
| Forestry  | 963.8          | 960.5          | 99.66%                     | 1 522.2             | 1 417.9        | 93.15%                     | 1 039.1        | 1 045.6        | 1 109.9        | 21.3%  | 15.8%                                       |
| Fisheries                                       | 504.7          | 504.7          | 99.99%                     | 490.4               | 490.3          | 99.98%                     | 519.7          | 553.2          | 586.3          | 1.6%   | 6.3%  |
| <b>Total</b>                                    | <b>6 847.0</b> | <b>6 728.1</b> | <b>98.26%</b>              | <b>7 732.8</b>      | <b>7 574.1</b> | <b>97.94%</b>              | <b>7 664.9</b> | <b>7 923.2</b> | <b>8 425.6</b> | <b>6.5%</b>  | <b>2.9%</b>                                 |

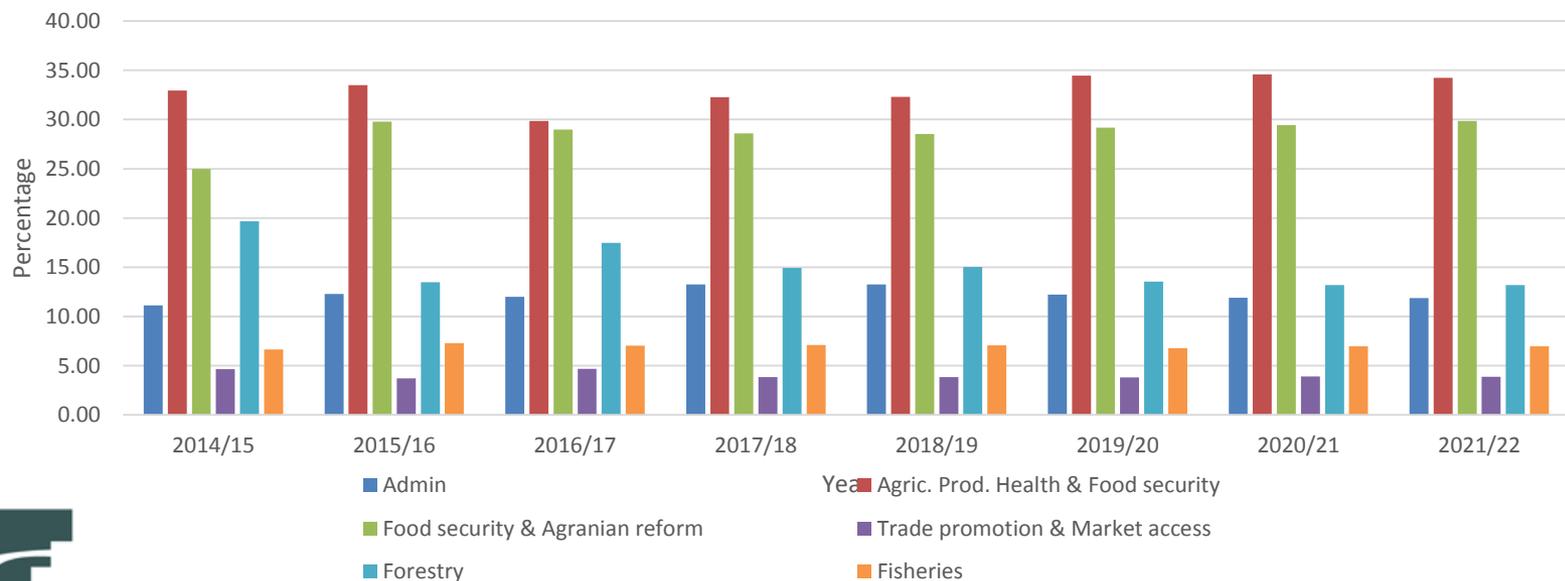
# PROGRAMME SHARE OF TOTAL SPENDING AND BUDGET

- Agricultural Production, Health and Food Safety and Food Security and Agrarian Reform consume the bulk of the department's resources
  - While the trend for forestry exhibits a decreasing trend after 2018/19



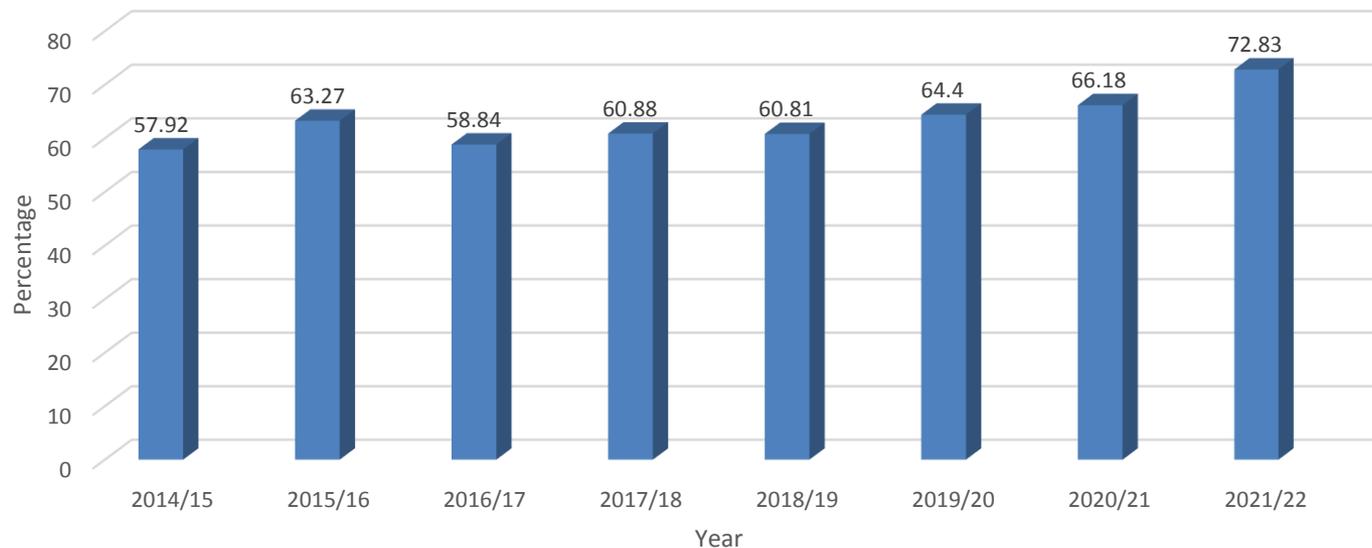
# PROGRAMME SHARE OF TOTAL SPENDING AND BUDGET

- Allocation and spending on Forestry as a percentage of total allocation has declined over the period from 19.67% in 2014/15 to 14.94% in 2017/18 and will reach 13.17% in 2021/22
- Share allocated to Food Security increases reaches 34.24% in 2021/2022 reflecting the relative prioritisation of the department and speak to the medium term priorities of the department



# PROGRAMME SHARE OF TOTAL SPENDING AND BUDGET

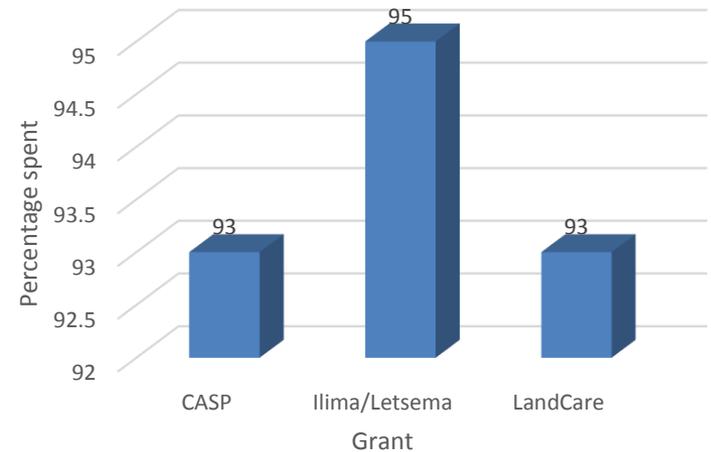
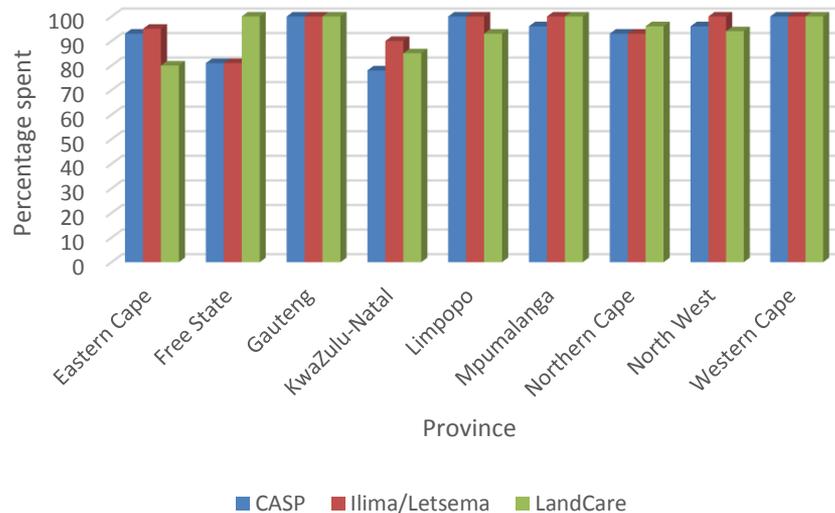
- Agricultural Production, Health and Food Safety and Food Security and Agrarian Reform consume the bulk of the department's resources (over 60% - 2019 MTEF)
  - This indicates that priority DAFF programmes are implemented through these two programmes



# ASSESSMENT OF CONDITIONAL GRANTS (1)

- Performance with respect to key conditional grants for 2018/19 - both CASP and LandCare at 93% spending of allocated funds
  - Two provinces achieved 100% spending on all three grants – Gauteng and Western Cape

Conditional grants performance per province



Source: Department of Agriculture, Forestry and Fisheries 2019 Annual report

# ENTITIES

- There are a number of key entities reporting to DAFF

| Entity                                   | Service   | Previous financial performance R'000                           | 2018/19- Amount transferred and spent - R'000 | Achievements  |
|--|---|--|---|---|
| National Agricultural Market Council     | Increase market access, more efficient marketing agricultural products  | 2017/18 - 5 224<br>2016/17 – (61)<br>2015/16 - 523             | 43 239  | Include 1 Small Market Access Research report, 2 capacity building reports, 4 industry support report |
| Agricultural Research Council            | Diagnostic services and develops and transfers technology that promotes the agricultural and related industries | 2017/18 – (63 388)<br>2016/17 – (85 640)<br>2015/16 – (68 262) | 1 031 109                                     | Include 21 531 diagnostic and analytical services and 2 434 Small farmers supported                   |
| Marine Living Resources Fund             | Development, management, monitoring and sustainable use of marine living resources to protect marine ecosystem  | 2017/18 - 18 297<br>2016/17 – (57 140)<br>2015/16 – (18 640)   | 259 733                                       | 16 Operation Phakisa projects supported and 10 424 people recognised as small-scale fishers           |
| Perishable Products Export Control Board | Ensure products meet the international standard   | 2017/18 – 20 977<br>2016/17 – 1 848<br>201/16 – (6 000)        | 583   | 39 students graduate through the AETP   |

# ENTITIES

- There are a number of key entities reporting to DAFF

| Entity                            | Service   | Previous financial performance R'000                      | 2018/19- Amount transferred and spent - R'000 | Achievements                                       |
|-----------------------------------|---|---|---|--|
| Land and Agricultural Bank of SA  | Administer AgriBEE Fund – allocates grants to promote rural community-based empowerment |   | 162 496                                       | Zero disbursement                                  |
| Onderstepoort Biological Products | Manages funds provided for building and vaccine production facilities                   | 2017/18 – 47 635<br>2016/17 – 44 226<br>2015/16 – 270 634 |   | GMP facility refurbishment is at an advanced stage |



## 2.1.3 Concluding Remarks and Key Issues for Consideration

# CONCLUDING REMARKS: 2019 MTEF ADJUSTMENT TO THE SECTOR FUNDING AND KEY ISSUES FOR CONSIDERATION

- While the sector's contribution to the GDP is showing declining trend, the sector remains key due to large linkages with rest of the economy and its contribution to exports and employment
- DAFF reprioritises 3 priority areas which are reflected in shares of the departmental's budget and allocations
  - Programme 2 (Agricultural Production, Health and Food Safety) and 3 (Food Security and Agrarian Reform) combined consume over 60% of the department's resources
  - These programs are the fastest growing programmes at 6.9% and 7.3% respectively over the 2019 MTEF
- Allocation for forestry has been on a decline since 2014/15 with an average annual growth rate of -11% over the 2019 MTEF – raising concerns given declining productivity in forestry and inability of SA to meet demand for saw log timber
- While the overall spending performance is good – concerns remain with performance of CASP, Ilima/Letsema and LandCare – affecting attainment of key set targets
- Decreasing agricultural production – field crops, horticultural products and livestock – affecting jobs, prices and trade balance

# CONCLUDING REMARKS: 2019 MTEF ADJUSTMENT TO THE SECTOR FUNDING AND KEY ISSUES FOR CONSIDERATION

- A number of provincial conditional grants have been reduced/reprioritised over the 2019 MTEF and these include grants in the agriculture
  - With respect to the agricultural sector, the Comprehensive Agricultural Support Programme has been reduced by R887.4 million as portion of this grant has been reprioritised for the implementation of a new blended finance mechanism and will be transferred to the Land Bank
    - While the Commission supports that reprioritised funding remains within the sector, it recommends that Provincial Departments of Agriculture, Forestry and Fisheries be involved and work together with the Land Bank with respect to the implementation of a new blended finance mechanism



## 2. Land Redistribution and Land Restitution trends

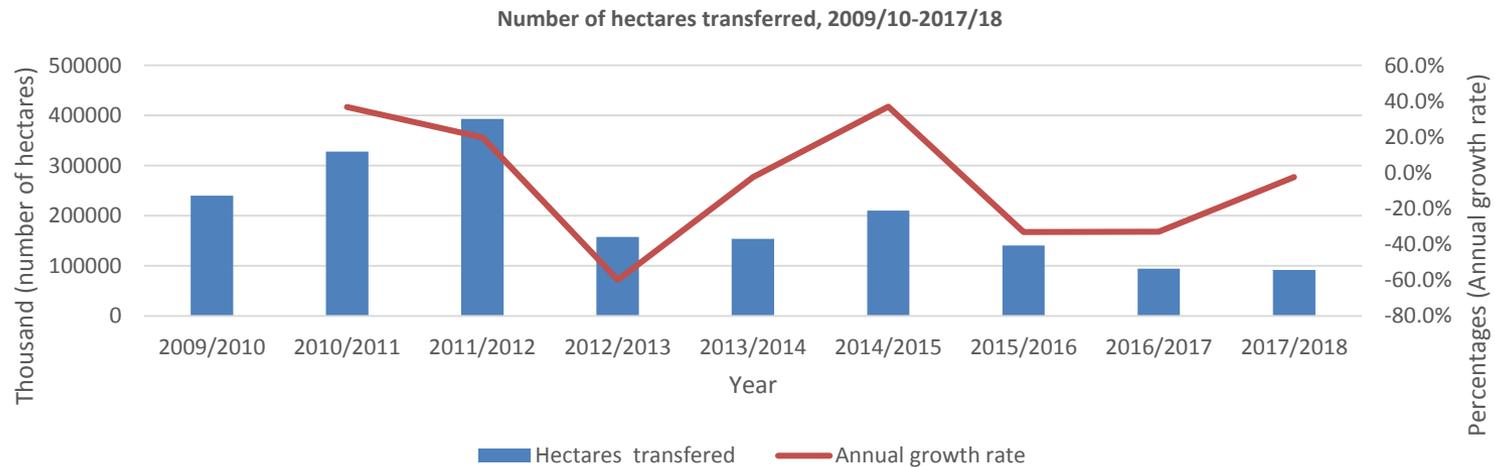
# LAND REFORM CONSIDERATIONS

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- In 1994, the government initiated land reform to address skewed ownership through land redistribution, restitution, and tenure. However, land reform has not progressed as envisaged.
- A parliamentary committee was instituted to review whether expropriation without compensation is feasible to address the demand for land.
- The expert Presidential Advisory Panel on Land Reform and Agriculture was appointed by President in 2018, to provide a unified policy perspective on land reform in respect of restitution, redistribution and tenure reform.
- There is a need to remove uncertainty about the timing and process of land reform; property rights; and tenure security because it is undermining the credibility of the government's endeavours to attract investment. According to international experience, land reform should focus on enhancing agricultural productivity, improving land administration to strengthen security of tenure, and reducing poverty.

# LAND DISTRIBUTION (1)

- Land distribution is decelerating since 2011/12

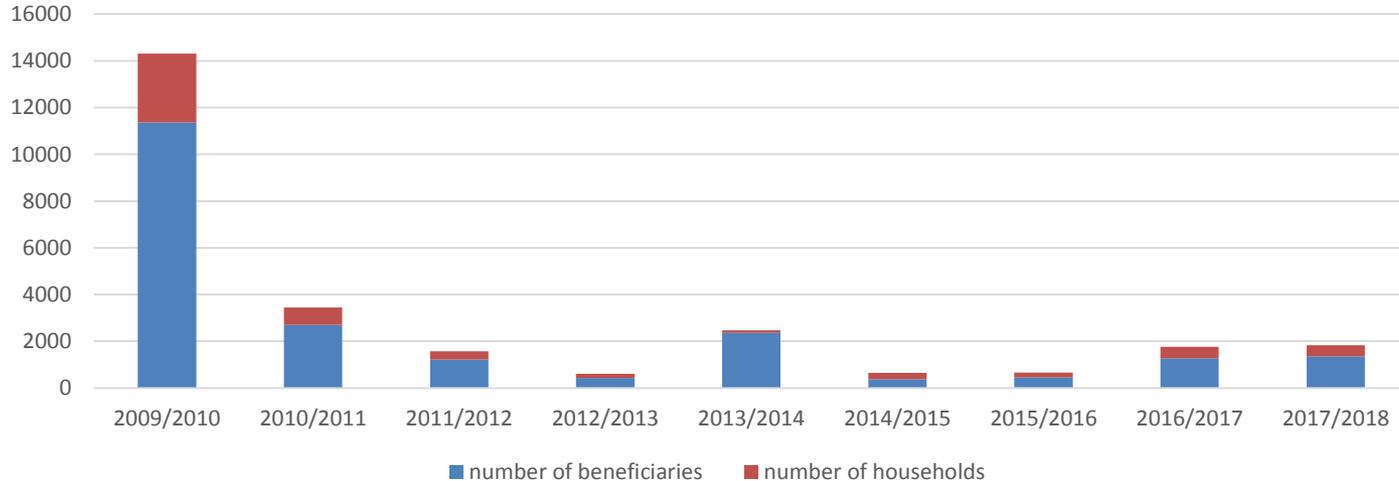


Source: Annual statistical report for selected service delivery programmes Department of Rural Development and Land Reform

- Whereas land redistribution peaked at 392 850ha in 2011/2012, and has been consistently declining since then, with the exception of 2014/15 when there was marginal increase. It declined to a mere 92 032ha in 2017/18. The average annual growth rate for the period between 2009/10 and 2017/18 reflects a negative growth of 38%
- For a critical land reform programme aimed at returning dignity to victims of discriminative land policies, and bringing about land justice, the pace of land distribution is very slow

# LAND DISTRIBUTION (2)

- Beneficiaries of land distribution are few and declining
  - Land distribution beneficiaries have decelerated significantly from 11 362 in 2009/10 to 1 348 in 2017/18. Households that benefited from the land distribution programme also declined from 2 994 in 2009/10 to 478 in 2017/18.
  - This reflects the inability of the land distribution programme to improve the welfare of its intended beneficiaries



# LAND RESTITUTION (1)

- Land restitution claims are increasing since 2013/14

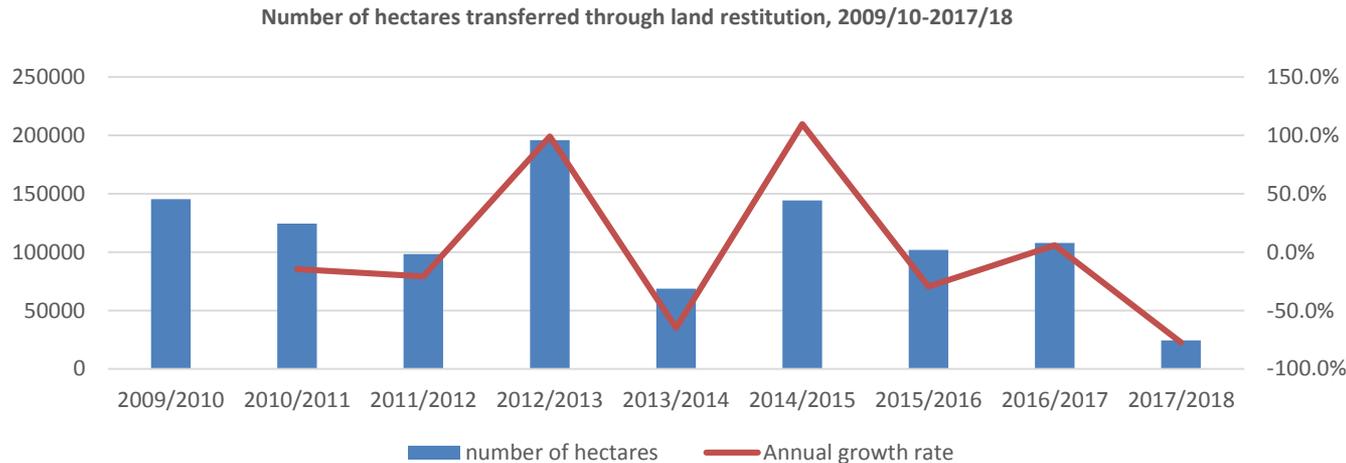


Source: Annual statistical report for selected service delivery programmes Department of Rural Development and Land Reform

- The number of claims settled under the land restitution programme increased from 270 in 2013/14 to 850 in 2017/18, reflecting an average annual growth rate of 59%. However, there is still uncertainty regarding land claims as a key aspect of land restitution and how it should be measured.
- The land restitution programme is critical in reducing poverty, creating job creation and improving income inequality particularly in rural areas.

# LAND RESTITUTION (2)

- Hectares acquired through the land restitution are decreasing since 2014/15

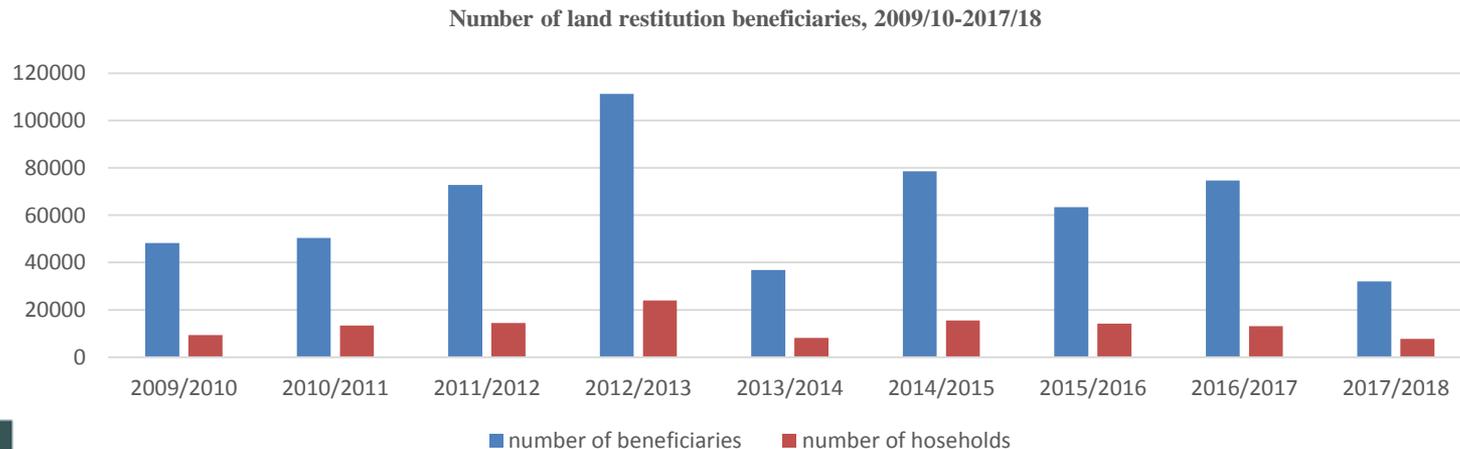


Source: Annual statistical report for selected service delivery programmes Department of Rural Development and Land Reform

- A total of 1 011 934 hectares had been acquired through Restitution programme since 2009/2010. financial year. The number of hectares had acquired through Restitution programme have declined from 144 406 hectares in 2014/15 to 24 476 hectares in 2017/18 reflecting a negative annual growth rate of 83%.
- The practicalities of determining ownership, defining legitimate claimants, establishing evidence for claims and overcoming opposition by current land owners, problematic communal land holding institutions and capacity constraints within the leading implementation structures are some of the factors slowing down the Restitution programme.

# LAND RESTITUTION (3)

- Beneficiaries of land restitution have generally been declining since 2012/13
  - Land restitution beneficiaries have decelerated significantly from 111 278 in 2009/10 to 31 946 in 2017/18. Households that benefited from the land restitution programme also declined from 23 988 in 2009/10 to 7 735 in 2017/18.
  - Scaling up land restitution has the potential to transform the manner in which rural land is used constitute an effective investment in pro-poor development and transformation.



Source: Annual statistical report for selected service delivery programmes Department of Rural Development and Land Reform



# 3. DEPARTMENTAL MTEF AND APP ANALYSIS

# DEPARTMENTAL APP STRATEGIC GOALS

- In line with the new developments in government and within the department, the Department has identified six strategic goals it seeks to achieve in the five-year period of the APP and beyond:
  1. Corporate governance and service excellence through compliance with the legal framework
  2. Improve land administration for integrated and sustainable growth and development with a bias towards rural areas
  3. Promote equitable access to and sustainable use of land for development with transformed patterns of land tenure and use
  4. Promote sustainable rural livelihoods as a result of capabilities, income and job opportunities provided
  5. Improve access to services in rural areas through the coordination of quality infrastructure
  6. Sustainable rural enterprises and industries

# DEPARTMENTAL APP

- Selected planned and actual targets 2017/18

| Programme        | Indicator   | Target | Delivery | Percentage delivered |
|------------------|---|--------|----------|----------------------|
| Land Reform      | Number of ha acquired   | 81 000 | 85 324   | 102%                 |
|                  | Number of ha allocated to small holder farmers                            | 40 500 | 53 977   | 133%                 |
|                  | Number of households supported through the One household One ha programme | 3 437  | 2 251    | 65%                  |
| Land Restitution | Number of claims finalised  | 991    | 995      | 100%                 |
|                  | Number of claims settled  | 1 151  | 502      | 44%                  |
|                  | Number of phased projects approved  | 117    | 140      | 120%                 |

# SPENDING AND MTEF BUDGET BY PROGRAMMES

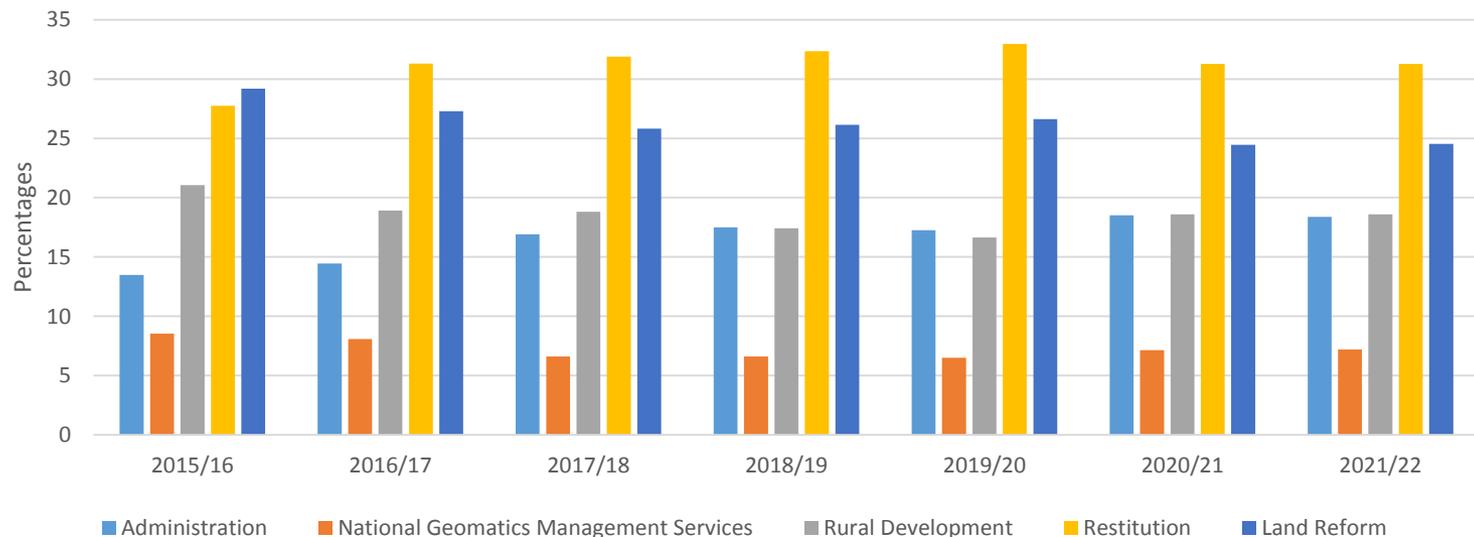
In 2019/20, the DAFF is allocated a budget of R10.95 billion which increases to R11.36 billion in 2021/22

- Over the 2019 MTEF – there has been an average annual growth of 2.9%
- National Geomatics Management Services and Rural Development are the fastest growing programmes with an average growth of 6.5% and 5.8% respectively over the 2019 MTEF
- Restitution and Land Reform are experiencing the least growth rates with an average growth rate of 1.8% and 0.6% respectively over the 2019 MTEF

| Rmil                              | 2015/16             |                    | 2016/17             |                    | 2017/18             |                  | 2018/19           | 2019/20         | 2020/21         | 2021/22         | Average annual budget growth rate 2013/14-2016/17) | Average annual growth rate 2017/18-2019/20) |
|-----------------------------------|---------------------|--------------------|---------------------|--------------------|---------------------|------------------|-------------------|-----------------|-----------------|-----------------|--|---|
|                                   | Final Appropriation | Actual Expenditure | Final Appropriation | Actual Expenditure | Final Appropriation | Expenditure      | Estimate          | MTEF            |                 |                 |  |   |
| Administration                    | 1 340 960           | 1 336 907          | 1 621 87 7          | 1 607 4 82         | 1 762 212           | 1 373 037        | 1 877 945         | 1 889.1         | 1 976.8         | 2 087.6         | 12%  | 3.9%  |
| Geospatial and Cadastral Services | 701 279             | 681 843            | 676 947             | 668 582            | 652,389             | 618,203          | 657 664           | 712.8           | 762.3           | 817.8           | -3.3%  | 6.5%  |
| Rural Development                 | 1 931 669           | 1 921 995          | 1 832 279           | 1 814 769          | 2 009 507           | 1 995 657        | 1 787 249         | 1 821.1         | 1 985.2         | 2 112.9         | -3.5%  | 5.8%  |
| Restitution                       | 2 675 984           | 2 630 239          | 3 335 794           | 3 331 114          | 3 097 519           | 3 093 990        | 3 359 330         | 3 608.2         | 3 336.8         | 3 552.2         | 8.9%   | 1.8%  |
| Land Reform                       | 2 547 469           | 2 547 063          | 2 657 448           | 2 645 052          | 2 662 613           | 2 649 294        | 2 743 055         | 2 915.0         | 2 608.8         | 2 785.1         | 2.6%   | 0.6%  |
| <b>Total</b>                      | <b>9 197 361</b>    | <b>9 118 047</b>   | <b>10 124 345</b>   | <b>10 066 999</b>  | <b>10 184 240</b>   | <b>9 730 181</b> | <b>10 425 243</b> | <b>10 946.2</b> | <b>10 669.9</b> | <b>11 355.5</b> | <b>4.3%</b>  | <b>2.9%</b>                                 |
|                                   |                     |                    |                     |                    |                     |                  |                   | (103)           | (1035.8)        | 1021.0)         |  |   |

# PROGRAMME SHARE OF TOTAL SPENDING AND BUDGET

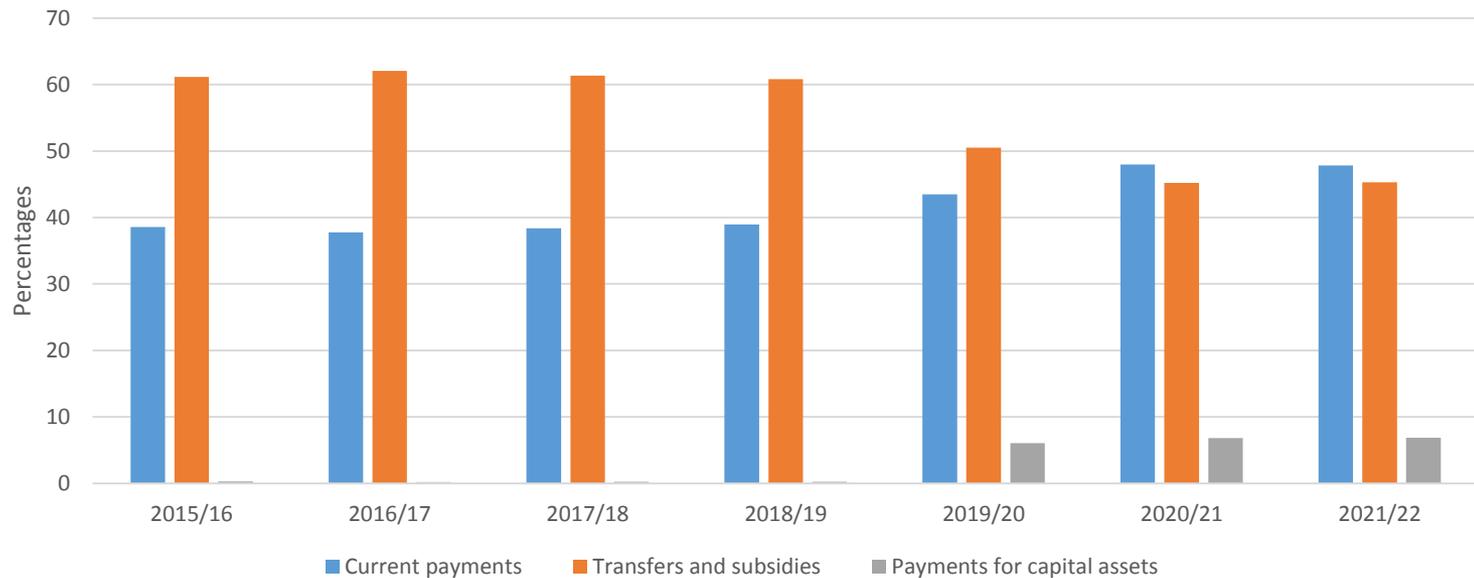
- The land restitution and land reform programmes account for over half of the department's total allocation. Between 2015/16 and 2018/19, the budget allocation to these two programmes constituted 59% of the total allocation. Similarly over the 2019 MTEF, they accounted for 58%, reflecting the prioritisation of these programmes by the department.



Source: National Treasury Estimates of National Expenditure, 2019

# ECONOMIC CLASSIFICATION SHARE OF TOTAL BUDGET

- Over 90% of the total allocation for the department transfers and subsidies as well as current payments. Between 2015/16 and 2018/19, the budget allocation to these two programmes constituted 94% of the total allocation. Similarly over the 2019 MTEF, they accounted for 94%.



# ENTITIES (1)

- **Agricultural land holding account**

The agricultural land holding account gives legal effect to the proactive acquisition of land. The entity is set to receive 85.7% of its revenue over the medium term through transfers from the department of R1.4 billion in 2019/20, R983.4 million in 2020/21 and R1.1 billion in 2021/22. Its average growth rate over the 2019 MTEF will decline by 7.1% as a result of Cabinet-approved reductions to the budget. These reductions are not likely to have an effect on the number of hectares targeted for redistribution, and will be offset by the generation of an estimated R376.1 million in non-tax revenue over the same period through rental income on qualifying lease contracts and interest charged on outstanding leases.

### **The KwaZulu-Natal Ingonyama Trust Board**

It is a land management agency that ensures that commercial activity on communal land is developmental and beneficial to local communities. The board's total budget for 2019/20 is R210.9 million. Its average growth rate over the MTEF will increase by 5.5%

# ENTITIES (2)

- **The Office of the Valuer-General**

It values all land to be acquired for land reform purpose, in accordance with a defined set of criteria based on section 25(3) of the Constitution, to ensure fair and equitable prices. The Property Valuation Act (2014) prescribes that the office must be impartial in exercising its powers and performing its functions, and be accountable to the Minister of Rural Development and Land Reform. The office's total budget for 2019/20 is R143.4 million. Its average growth rate over the 2019 MTEF will increase by 3.3%.

- **The Registration of deeds trading account**

It makes provision for the administration of the land registration system and the registration of rights in land. It requires that deeds and documents are prepared and lodged in the deeds registry by a conveyancer or public notary, and are scrutinised for accuracy and compliance with common law, case law and statutory law. The main goal of the trading account is to contribute to effective land planning, administration and property registration. The account's total budget for 2019/20 is R938.6 million.

# SECTOR CHALLENGES

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- **Land distribution:** Whereas there has been progress in transferring land from whites to Africans, the pace of the programme remains slow and it is not linked to the wider agrarian reforms and transformation of rural economy.
- **Land restitution:** Whereas the number of claim settled is increasing there are still many uncertainties about the program including practicalities of determining ownership, defining legitimate claimants, establishing evidence for claims and overcoming opposition by current land owners, the role of communal land holding institutions and capacity constraints within the leading implementation structures.
- **Land Reform in general:** land reform has been implemented in isolation from other equally important rural and agricultural reforms. There remains a challenge of integrating land reform with rural development, agriculture policies and local economic development.

# ASSESSMENT OF CONDITIONAL GRANTS (1)

- While spending of the land reform grants over the period 2015/16 – 2018/19 reflect a very good spending performance.
  - For the 2018/19 FY, spending on the restitution grants and land reform grants improved is 100% and 96.8% respectively.

## Spending performance of Land Reform Grants

|                           | 2015/16-2018/19 | Mar 2018/19 |
|---------------------------|-----------------|-------------|
| <b>Restitution grants</b> | 100%            | 100%        |
| <b>Land reform grants</b> | 96.8%           | 96.8%       |
|                           |                 |             |

Source: DRDLR 2019 Annual Report

# ASSESSMENT OF CONDITIONAL GRANTS (2)

- Average annual budget growth for both Restitution grants and Land reform grants are recording significant growth over 2019 MTEF (7.3% and 20.3% respectively) compared to previous years

| R million          | 2015/16 | 2016/17 | 2017/18 | 2018/19  | 2019/20 | 2020/21 | 2021/22 | Average annual budget growth rate 2015/16-2017/18 | Average annual budget growth rate 2018/19-2021/22 |
|--------------------|---------|---------|---------|----------|---------|---------|---------|---|---|
|                    | Budget  | Budget  | Budget  | Estimate | MTEF    |         |         |   |   |
| Restitution grants | 2019.2  | 2677.4  | 2408.7  | 2226.3   | 2919.7  | 2580.3  | 2749.7  | 3.3%  | 7.3%  |
| Land reform grants | 571.2   | 381.4   | 404.8   | 386.3    | 603.6   | 637.8   | 672.9   | -12.3%  | 20.3%   |



## 4. CONCLUSION AND ISSUES FOR CONSIDERATION

# CONCLUDING REMARKS AND SOME ISSUES FOR CONSIDERATION

- A large fraction of the DRDLR budget goes to restitution and land reform. These programmes are vital in fulfilling the mandate of the department in maintaining an equitable and sustainable land dispensation and accelerating rural development. However, these two programs have lower average budget growth rates compared to other programs over the 2019 MTEF (1.8% and 0.6% respectively)
- The pace of land distribution and land restitution programmes, which are two key pillars of land reform, is very slow for them to make a meaningful impact on restoring land justice and transforming the rural economy.
  - The land reform program is unlikely to meet its own targets given the slow pace whereas in order to its success is critical in meaningfully addressing poverty and underdevelopment of rural areas.
  - Furthermore, there is a need for a more coherent land reform program that is integrated with agriculture and rural development initiatives.



## 5. FFC AGRICULTURE, FORESTRY AND FISHERIES AND RURAL DEVELOPMENT –RELATED RECENT PAST RECOMMENDATIONS FOR DoR

## Submission

## FFC Recommendation

Submission  
for the  
2018/19 DoR

CASP and the Recapitalisation and Development Programme are consolidated into one funding programme for post-settlement support to emerging and land reformers under the DAFF which has more expertise in the area of agriculture. The consolidated fund should provide timeous support to land reform beneficiaries and be complemented by affordable loan funding.

- *Government Response: Government agrees that post-settlement support that ensures arable land remains in production is important. However given the overlapping roles between the DAFF and the DRDLR, the first task is to clarify the roles of these two departments, which both include aspect of post-settlement support.*

The current municipal disaster grant be allowed to cater for eviction-related emergencies.

- *Government appreciates and agrees with the concerns raised regarding eviction. Government does not, however, agree that evictions meet the definition of disasters prescribed in the Disaster Management Act (2002), which means that the municipal disaster grant is not the appropriate instrument for alleviating the effect of evictions.*

## Submission

## FFC Recommendation

### Submission for the 2018/19 DoR

DAFF should enhance agricultural productivity by establishing a framework for implementing, evaluating and monitoring key agricultural grants targeted at subsistence and small-scale farmers.

- *Government Response: Government agrees with this recommendation. The DAFF is engaging with the recommendations from the Department of Planning, Monitoring and Evaluation's expenditure reviews on its key grants.*

The Commission recommends that agriculture-related transfers are distributed across recipient provinces in a manner that promotes equity and ensures access for targeted groups, especially emerging and subsistence farmers located within rural provinces and municipalities. This can be achieved through expanding the current disbursement criteria to incorporate weights for a province's share of national rural population, the proportion of a province's rural population incomes below official poverty levels/measures, and the extent to which the rural population in a province participates in subsistence and smallholder farming.

- *Government Response: Government agrees with this recommendation. The current criteria are meant to achieve equity across provinces. These criteria need continuous monitoring to ensure they uphold the principle of equity.*

## Submission

## FFC Recommendation

Submission  
for the  
2017/18  
DoR

A comprehensive definition of “rural areas” and “rural development” to be applied across the three spheres of government.  
Government should further strengthen the equity focus of intergovernmental transfers, in particular in the health and education sectors targeted at rural areas, as this facilitates efficient reallocations. Policy efforts should complement these reallocation- enhancing processes in order to sustain productivity growth within rural areas.  
Government should actively and specifically include conditions in rural grants aimed at increasing productivity and employment whenever significant capital investment in rural public infrastructure occurs.

**Submission****FFC Recommendation**

Submission  
for the  
2017/18 DoR

A single champion for rural finance and development. This champion should guide and coordinate investment by DFIs in rural areas, and encourage crowding-in by the private sector.

The Department of Telecommunications and Postal Services ensures that SAPO modernises and broadens focus towards becoming a one-stop shop in rural areas, where communities/customers can renew (car, driver's) licences and access financial products such as banking (ATM etc.)

The Department of Public Enterprises ensures that Transnet contributes to regional economic growth and development by connecting business to customers, goods to markets. Transnet should also transport agricultural goods, so as to include rural communities, from rural areas where they are produced to urban areas where they are consumed, process, or sent out of the country.

The Department of Telecommunications and Postal Service puts measures in place to improve Telkom's network infrastructure in rural areas, so as to improve cellular network coverage. Telkom and SAPO, under the guidance of the Department of Telecommunications and Postal Services, should forge a partnership to develop the mobile market.

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